


Fast News

Bitcoin roars back from Chinese-regulation spurred swoon

Cryptocurrency soars more than 20% from Friday's low.

Camila Russo, Bloomberg / 19 September 2017 11:29  No comments so far



Prices are rebounding because traders in China are likely to switch to alternative exchanges or seek loopholes in the regulation, analyst says. Picture: Bloomberg

The bitcoin rally is proving hard to stop.

The cryptocurrency has breached \$4 000, soaring more than 20% from the lows reached on Friday, as concern eases that a crackdown by Chinese regulators will hinder the growth of the alternative method of exchange. After reaching a record high of \$4 921 on September 1, the digital currency fell as low as \$2 975 on September 15.

Prices are rebounding because traders in China are likely to switch to alternative exchanges or seek loopholes in the regulation, said Peter Van Valkenburgh, director of research at Coin Center, a Washington-based nonprofit research firm focusing on cryptocurrencies.

“The efficacy of any bitcoin ban is pretty dubious,” said Van Valkenburgh. “It’s bullish because if a powerful government like China feels the need to ban major trading, then it’s a good indicator that the technology works and that it does what it’s supposed to. If it overcomes those controls, then it’s further proof that it’s independent from government controls, which is pretty radical.”

China banned fundraising by selling digital coins, known as initial coin offerings, and plans to ban trading of bitcoin and other virtual currencies on domestic exchanges. In addition, authorities also increased oversight on messaging app WeChat, which traders use to communicate.

Read: [Bitcoin sinks as China is said to order exchange halt this month](#)

While the tighter regulation makes access to cryptocurrency more difficult, investors can trade the digital assets over-the-counter or go to exchanges based in other jurisdictions. Instead of WeChat, cryptocurrency aficionados are already migrating to encrypted messaging service Telegram. On the ICO side, they can set up companies in countries where regulation on the sector is more lax, like Switzerland and Singapore.

In addition, China's weight on the broader cryptocurrency market isn't as high as it once was, so changes in regulation have lower potential impact. Bitcoin trading against the Chinese currency has dwindled to 19% of total volume in the past six months, from about 90% last year, according to digital currency data website Bitcoinity, after Chinese regulators clamped down on the market earlier this year. The U.S. dollar is now the most traded currency against bitcoin, accounting for 54% of total volume in the past six months.

Bitcoin slumped almost 20% in the two days after Chinese authorities did on-site inspections of bitcoin exchanges early January and slumped again after China's central bank took steps to prevent withdrawals of the cryptocurrency in February. That the digital asset recovered is an understatement, as its price has almost quadrupled since.

So where to next? John Spallanzani at GFI Group says \$4 000 is the level to watch.

"If we hold at \$4 000 we have a nice shot to make a new high on the year," Spallanzani said. "If not, then it'll roll over and retest the lows of \$2 875."

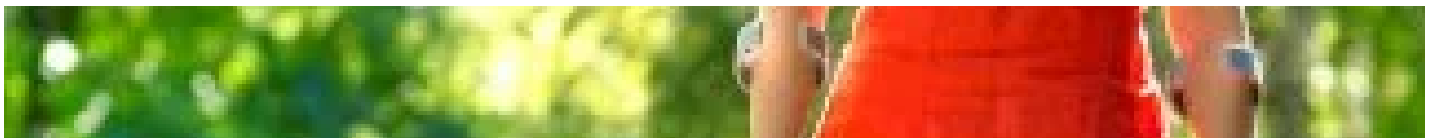
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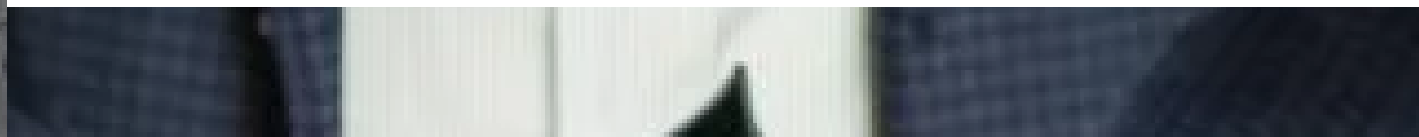


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